



NEW JERSEY DISPARITY STUDY

A Study on the Availability and Utilization of Small, Minority, Women, and Service-Disabled Veteran-Owned Businesses

January 2024

In January 2024, Governor Phil Murphy and Treasurer Elizabeth Maher Muoio announced the release of a comprehensive [statewide disparity study](#) examining public contracting opportunities for Minority and Women-Owned (MWBE) businesses in New Jersey. The study, conducted by Mason Tillman and Associates, LLC (MTA) and overseen by the Office of Diversity and Inclusion (ODI), within the Department of the Treasury, reviewed more than 1.2 million records and 240,000 contracts awarded between July 1, 2015 and June 30, 2020 from over 60 State contracting agencies, authorities, commissions, colleges, and universities relating to goods and services, professional services, and construction.

MTA performed extensive community outreach, working with business organizations throughout the state – including the African American Chamber of Commerce, the Statewide Hispanic Chamber of Commerce, the New Jersey Diverse Business Council, the Alliance of Asian Architects, and the New Jersey Veterans Chamber of Commerce – to ensure consideration of views from minority-, woman-, and service-disabled veteran-owned businesses, as well as small businesses from across New Jersey. In September of 2021, over 500 businesses attended six virtual community meetings held in all regions of the State.

Commissioned by the Murphy Administration, the disparity study was designed to evaluate the participation of MWBEs in the State's multi-billion dollar contracting universe and determine if additional programs are warranted to create a more equitable business environment in New Jersey. Based on the data that MTA received, key findings from the study include:

- **Statistically significant disparities were found in contracting with Minority Business Enterprises** – including specifically in contracting with businesses owned by Black Americans, Asian Americans, and Hispanic Americans – for formal prime contracts in construction, professional services, and goods and services and for informal prime contracts across all industries studied. For example:
 - **Black Americans represent 9.19% of the available construction businesses and received 0.14% of the dollars on construction contracts valued over \$65,000 and up to \$5,710,000.**
 - **Asian Americans represent 6.43% of the available construction businesses and received 2.03% of the dollars on construction contracts valued over \$65,000 and up to \$5,710,000**
 - **Hispanic Americans represent 11.65% of the available construction businesses and received 1.51% of the dollars on construction contracts valued over \$65,000 and up to \$5,710,000.**
- **Statistically significant evidence that the State underutilizes Woman Business Enterprises** for formal prime contracts in construction, professional services, and goods and services and for informal prime contracts across all industries studied. For example:
 - **Woman Business Enterprises represent 24.48% of the available construction businesses and received 8.73% of the dollars on construction contracts valued over \$65,000 and up to \$5,710,000. This underutilization is statistically significant.**
 - **Women Business Enterprises represent 37.75% of the available professional service businesses, but received only 9.91% of the dollars on prime professional service contracts valued from \$40,000 to \$800,000.**
- **The study found statistically significant disparities in subcontracts awarded by State contracting agencies to Minority Business Enterprises in the construction industry**, including specifically businesses owned by Black Americans and Asian Americans. The study also found statistically significant disparities in subcontracts awarded by State contracting agencies for professional services to businesses owned by Black Americans and Hispanic Americans and to Woman Business Enterprises, including businesses owned by Caucasian females. Conversely, the study found statistically significant overutilization of businesses owned by non-minority males across all areas studied.

The comprehensive nature of the study provides a strong foundation to work with lawmakers and the business community to identify responsive state action and establish new initiatives to address disparities in state contracting that will build on the initiatives already undertaken by the Murphy Administration.

BUILDING A MORE EQUITABLE ECONOMY – The Murphy Administration has continuously led by the principle of building a *stronger and fairer* New Jersey. With the lessons from the Disparity Study in hand, the Administration is eager to work with partners to build on the initiatives undertaken to date, which include:

Promoting the Growth of Small Businesses Through Matchmaking and Mentorship: An Annual Business Matchmaking Event – hosted by the Department of the Treasury and the Chief Diversity Officer in partnership with the Business Action Center – was enacted with the signing of [A-3424/S-144](#) in 2023 (P.L. 2023, c. 165) to connect small businesses with representatives of federal, state, and local government agencies and contractors. Coupled with the mentorship program being established by the Business Action Center under a new law enacted in late 2023 ([A-4751/S-3400](#)), this measure is advancing the efforts of the Murphy Administration to increase awareness and access to public contracting opportunities for minority-, women-, veteran-, and LGBTQ+-owned businesses.

Streamlining the Business Certification Process: In 2020, the Department of the Treasury adopted new enhanced business regulations to create a more streamlined and business-friendly process for certifying minority- and women-owned businesses. The regulations and enhancements:

- allow businesses to apply for multiple certification types through a single application and for a single fee, saving applicants who qualify for multiple categories potentially hundreds of dollars;
- create an elongated five-year certification period rather than requiring yearly recertification;
- establish reciprocity with other certification entities, importantly the federal Disadvantaged Business Enterprise;
- allow for provisional certification, which is particularly helpful to newer companies who may not have all the requisite documentation available;
- establish a clear-cut process for applicants to challenge a certification denial; and
- add assistance for businesses seeking certifications, via a dedicated website, help line, and instructional videos.

Supporting Socially and Economically Disadvantaged Businesses: In early 2024, Governor Murphy signed a new law, [A-2146/S-855](#) (P.L. 2023, c. 300), directing the Department of the Treasury to establish contracting agency procurement goals for socially and economically disadvantaged businesses. The law also requires each contracting agency to submit an annual report to the Department of the Treasury concerning the contracts each agency awards, a move that will ultimately help agencies reduce the prevalence of disparities moving forward.

Increasing the Delegated Purchasing Authority for State Agencies: Governor Murphy signed [A-5930/S-3968](#) (P.L. 2021, c. 412) which gives agencies more flexibility to utilize small, minority-, women-, veteran-, and LGBTQ+-owned businesses by permitting Treasury's Division of Purchase and Property (DPP) to gradually [increase the delegated purchasing authority for goods or services](#) by state agencies and departments from \$46,000 to \$250,000. The law also allows DPP to grant one-time delegated purchasing authority of up to \$1 million under certain circumstances.

Improving the Statewide Data Collection Process: In January 2023, the Office of Diversity and Inclusion launched a statewide web-based Supplier Diversity Management System (SDMS) to collect real-time vendor, contract, and diverse spending data, and increase agency awareness and response time.

Expanding Opportunities for Disabled Veteran-Owned Businesses: Governor Murphy signed legislation, [S-2249/A-4211](#), (P.L. 2023, c. 273) that decreases the number of disabled veteran-owned businesses required to designate a set-aside contract from three to two. The original "Set-Aside Act for Disabled Veterans' Businesses" had established a goal for contracting agencies to set aside at least three percent of their contracts for disabled veterans' businesses. However, the act was underutilized because, in order to set aside a contract, the law required at least three qualified disabled veteran business enterprises be reasonably likely to bid for that contract. Now, only two are required, increasing public contracting opportunities for disabled veteran-owned businesses.

Supporting LGBTQ+-Owned Businesses: Governor Murphy signed [Executive Order 295](#) to establish a state certification for LGBTQ+-owned businesses, joining California, Massachusetts, and Pennsylvania as only the fourth state to adopt the designation. This certification expands access to public and private contracting opportunities and encourages businesses to identify as LGBTQ+-owned in their marketing and advertising.

Encouraging Business Certification: To eliminate a hurdle in applying for state certification, the State Treasurer's Office waived the \$100 filing fee previously required for each eligible business certification.

NEXT STEPS: The Murphy Administration looks forward to engaging stakeholders and working with our legislative partners to take responsive state action in promoting equitable contracting practices.